

Report
of the
Examination of
Bankers Reserve Life Insurance Company of Wisconsin
Plymouth Meeting, Pennsylvania
As of December 31, 2001

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. HISTORY AND PLAN OF OPERATION	3
III. MANAGEMENT AND CONTROL.....	7
IV. AFFILIATED COMPANIES.....	9
V. REINSURANCE.....	11
VI. FINANCIAL DATA	12
VII. SUMMARY OF EXAMINATION RESULTS.....	21
VIII. CONCLUSION.....	22
IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS	23
X. ACKNOWLEDGMENT	24



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott McCallum, Governor
Connie L. O'Connell, Commissioner

Wisconsin.gov

121 East Wilson Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: information@oci.state.wi.us
Web Address: oci.wi.gov

June 21, 2002

Honorable Connie L. O'Connell
Commissioner of Insurance
State of Wisconsin
121 East Wilson Street
Madison, WI 53702

Commissioners:

In accordance with your instructions, a compliance examination has been made of the
affairs and financial condition of:

BANKERS RESERVE LIFE INSURANCE COMPANY OF WISCONSIN

Plymouth Meeting, PA

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of the company was conducted in 1997 as of
December 31, 1996. The current examination covered the intervening period ending
December 31, 2001, and included a review of such 2002 transactions as deemed necessary to
complete the examination.

The examination consisted of a review of all major phases of the company's
operations, and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance
- Employees' Welfare and Pension Plans

Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

II. HISTORY AND PLAN OF OPERATION

The company was incorporated under the laws of the state of Wisconsin on January 5, 1961, as The International Casualty Insurance Corporation. Its name was changed to International General Insurance Corporation (IGIC) in November 1961. The company's current name, Bankers Reserve Life Insurance Company of Wisconsin (BRLW), was adopted on March 27, 1997.

Initially the company was licensed to write automobile and other casualty lines but delays in beginning operations resulted in withdrawal of those lines in October 1962. In May 1964, the company was licensed to write disability insurance. In July 1964, the company's license was amended to include life insurance.

On August 7, 1985, American Investors Assurance Company, a Utah-domiciled insurer, purchased 100% of the outstanding common stock of IGIC's parent company, International Inc. In 1987, Robert R. Barrow acquired control of IGIC through his purchase of all outstanding common stock of International Inc. Effective February 15, 1996, all outstanding shares of IGIC were sold to Atlantic Financial Company (AFC), a Florida corporation. Effective June 30, 1996, IGIC acquired all the outstanding shares of Bankers Reserve Life Insurance Company (BRLC), a Colorado-domiciled life insurer, from its parent, AFC.

IGIC specialized in the underwriting of group credit life and group credit accident and health insurance until 1978. Tax-deferred group annuities were introduced in 1977 and sold through financial institutions until the IRS ruled that such annuities no longer had tax-deferred status. Annuities issued prior to the ruling were grandfathered and maintain tax-deferred status. These annuities are administered through the company's separate account.

IGIC began offering qualified and nonqualified individual single premium annuities in 1982. These annuities were marketed on a direct and general agency basis and are administered in the company's general account. During 1982 and 1983, the company entered the ordinary life insurance market through the assumption of ordinary life insurance. These reinsurance agreements were terminated in 1984.

In 1988, IGIC began offering single premium whole life insurance. Individual universal, term, single premium life insurance coverage, and group dental insurance were introduced in 1989. These products were sold on a direct and general agency basis. Effective December 31, 1990, credit insurance was discontinued. During 1993, the company introduced nonparticipating whole life insurance and variations of its single premium immediate annuity to its product line. Group dental insurance was discontinued during 1994.

Effective April 1, 1996, IGIC entered into reinsurance contracts in which 100% of its new and existing general account annuity business was ceded to Lincoln National Reinsurance Company and 60% was retroceded back on a funds withheld basis. The withheld funds were to be invested according to IGIC's investment strategy and managed by Atlantic Portfolio & Management (APAM), an affiliate of IGIC, by now renamed BRLW. APAM attempted to increase its client's investment rate of return by utilizing a variety of financial instruments as part of its efforts to hedge and manage fluctuations in the market value of its investment portfolio attributable to changes in general interest rate levels and to manage duration and convexity mismatch of assets and liabilities. Those instruments include interest rate swap options for which the company's risk is limited to the cost of entering the contracts on the trade date. The contract or notional amounts of those instruments reflect the extent of involvement in the various types of financial instruments. OCI approved the company's request to invest its funds directly, under the management of APAM, and Lincoln National returned the related funds withheld to BRLW on June 16, 1997.

BRLW sold its book of individual ordinary life Insurance business to Central United Life Insurance Company through a 100% quota share coinsurance, assumption reinsurance agreement, effective April 1, 1997.

Effective February 28, 1997, the reinsurance contract with Lincoln National was terminated for all new business. BRLW then entered into a reinsurance arrangement, effective February 28, 1997, in which 100% of its Platinum annuities were ceded to AXA Re Life Insurance Company and 50% was retroceded back to BRLW. In addition, BRLW entered into a reinsurance

contract with Winterthur Life Re Insurance Company to cede 75% of BRLW's Platinum XI annuities, effective July 1, 1997.

In addition, the company entered into two assumption reinsurance agreements. Effective February 28, 1997, BRLW began to assume a 15% retrocession from AXA Re on Alliance Select and Alliance B deferred annuities written by Security Life Insurance Company of America. The Alliance business was formerly assumed by BRLC through a 25% quota-share reinsurance contract. Effective November 30, 1997, OCI approved a 100% quota-share coinsurance, assumption reinsurance agreement between BRLW and BRLC, whereby BRLW assumed BRLC's direct written block of annuity business.

Life and Health Insurance Company of America (LHA) acquired effective July 1, 1999, Bankers Reserve Life Insurance Company of Wisconsin (BRLW). In preparation for the sale of BRLW, all the business written in BRLW was reinsured 100% to Liberty Bankers Life Insurance Company (Liberty Bankers), a sister company of BRLW. At the same time that BRLW put the reinsurance in place in favor of Liberty Bankers, BRLW also started the process of getting the various insurance departments to approve the forms that were being written under BRLW for writing under Liberty Bankers. By the time LHA bought BRLW, this process was already well advanced, so that by the end of the year 2000 all forms had been approved to be written under Liberty Bankers.

The purpose of this acquisition was for LHA to gain access to certain key states in which the Company was not licensed to write business. LHA did not want the current book of business that Bankers had already written, Due to the difficulty in raising capital to finance the expansion, LHA did not write any business through BRLW and the company was sold to Centene Corporation in March, 2002..

The company's current bond portfolio consists entirely of U.S. Government Treasury Notes. A small amount of money is held in Government Money Market Funds. Certificates of deposit, with maturities of one year or less, are funding annuities administered through BRLW's separate account and are FDIC insured to \$100,000 per annuity owner.

Since the company does not write any business there are no reserve liabilities to report. The existing accruals refer to administrative expenses, taxes, asset valuation reserve and a small reserve held for the separate account business. The only change in capital and surplus during 2001 was the reflection of current year net income in Unassigned Surplus.

The company's operating income consisted mainly of investment income from the company's portfolio and a small amount of income transferred from the separate account business. Cash flow consists of investment income and transfers from the Separate Account Business. All of the insurer's invested assets are in US Treasury Notes. Given the small size of the portfolio, fluctuation in interest rates and inflation is not a major concern.

Originally, the LHA bought BRLW with the idea of giving its agents five additional states (where the parent company was not licensed) to write long term care business. Due to the difficulty in raising capital to finance the expansion, LHA did not write any business through Bankers Reserve Life. Effective March 14, 2002, BRLW was sold to Centene Corporation.

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of six members. Six directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members receive no compensation for serving on the board.

As of year-end 2001 the board of directors consisted of the following persons:

Name and Residence	Principal Occupation	Term Expires
Denise Rita Lombardo Villanova, PA	Secretary of BRLW	Jan. 2003
Irene Ruth Miller Philadelphia, PA	Vice President of BRLW	Jan. 2003
Jonathan Scott Miller Philadelphia, PA	Vice President of BRLW	Jan. 2003
Melvyn Kenneth Miller Lafayette, PA	President of BRLW	Jan. 2003
Ross Douglas Miller Villanova, PA	Vice President of Hanover	Jan. 2003
Antonio Ranalli Philadelphia, PA	Treasurer of BRLW	Jan. 2003

Officers of the Company

The officers serving as of year-end 2001 are:

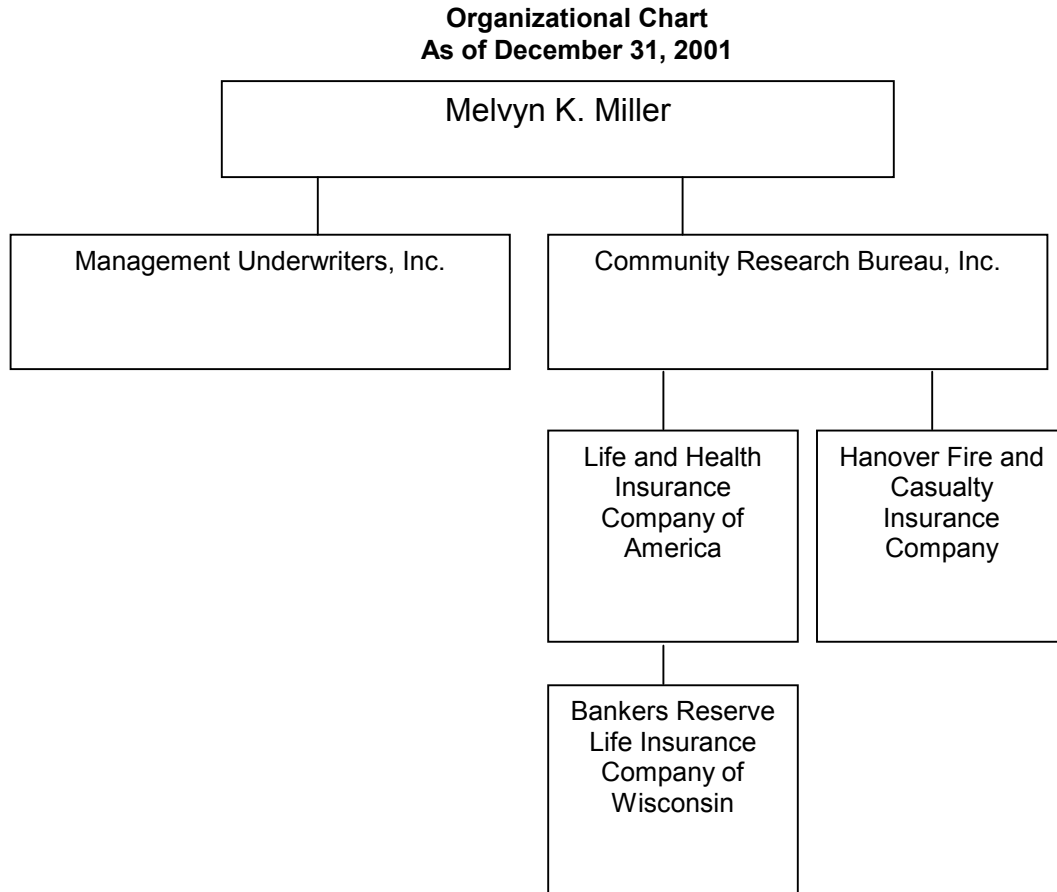
Name	Office	Compensation
Melvyn K. Miller	President	None
Denise R. Lombardo	Secretary	None
Antonio Ranalli	Treasurer	None
Jonathan S. Miller	Vice President	None
Illene R. Miller	Vice President	None

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. Since BRLW does not write any premiums and its investments consist only of U.S Government Treasury Notes and cash, the company did not set up any formal committees.

IV. AFFILIATED COMPANIES

Bankers Reserve Life Insurance Company of Wisconsin is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of BRLW follows the organizational chart.



Life and Health Insurance Company of America

Life and Health Insurance Company of America provides management information function and is the corporate office for BRLW. As of December 31, 2001, the company's audited financial statement reported assets of \$40,686,890, liabilities of \$37,881,418, capital and surplus of \$2,805,472. Operations for 2001 produced net loss of \$2,115,503.

Hanover Fire and Casualty Insurance Company

As of December 31, 2001, this insurer's audited financial statement reported assets of \$2,258,981, liabilities of \$264,697, capital and surplus of \$1,994,284. Operations for 2001 produced net income of \$131,242.

Community Research Bureau, Inc.

Community Research Bureau, Inc is the holding company for Life and Health Insurance Company of America, Hanover Fire and Casualty Insurance Company, and BRLW. The Company is a general business corporation located in Pennsylvania and does not produce any income and is not audited.

Management Underwriters, Inc.

Management Underwriters, Inc. is consisted of captive agents. It is a Pennsylvania general business corporation licensed as an insurance agency. The company is not audited on an annual basis.

V. REINSURANCE

The company did not write any direct premium in 2001 and is not currently ceding or assuming any new premium through reinsurance agreements.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2001, annual statement to the Commissioner of Insurance. Also included in this section are schedules which reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Bankers Reserve Life Insurance Company of Wisconsin
Assets
As of December 31, 2001

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$2,286,635	\$	\$ 2,286,635
Cash	472,804		472,804
Federal and foreign income tax recoverable and interest thereon	1,039		1,039
Investment income due and accrued	35,476		35,476
Write-ins for other than invested assets:			
Due from Separate Account	13,485		13,485
Accounts Receivable	2,315		2,315
Due from Separate Account - Liquidation	343,006		343,006
From Separate Accounts Statement	<u>5,722,676</u>	<u> </u>	<u>5,722,676</u>
Total Assets	<u>\$8,877,436</u>	<u>\$ </u>	<u>\$ 8,877,436</u>

Bankers Reserve Life Insurance Company of Wisconsin
Liabilities, Surplus, and Other Funds
As of December 31, 2001

General expenses due or accrued	\$ 14,113
Taxes, licenses, and fees due or accrued, excluding federal income taxes	2,527
Miscellaneous liabilities:	
Asset valuation reserve	182
Write-ins for liabilities:	
Investment Reserve	19,472
From Separate Accounts Statement	<u>5,322,676</u>
Total Liabilities	5,358,970
Common capital stock	1,200,000
Gross paid in and contributed surplus	1,400,000
Write-ins for special surplus funds:	
Surplus-Separate Account	200,000
Surplus-Separate Account	200,000
Unassigned funds (surplus)	<u>518,466</u>
Surplus	<u>3,518,466</u>
Total Liabilities, Surplus, and Other Funds	<u>\$ 8,877,436</u>

Bankers Reserve Life Insurance Company of Wisconsin
Summary of Operations
For the Year 2001

Net investment income	<u>\$ 170,955</u>
Total income items	170,955
Surrender benefits and withdrawals for life contracts	<u>935,121</u>
Subtotal	935,121
General insurance expenses	66,762
Insurance taxes, licenses, and fees excluding federal income taxes	26,165
Net transfers to or (from) Separate Accounts	<u>(996,680)</u>
Total deductions	<u>31,368</u>
Net gain from operations before dividends to policyholders and federal income taxes	<u>139,587</u>
Net gain from operations after dividends to policyholders and before federal income taxes	139,587
Federal income taxes incurred (excluding tax on capital gains)	<u>2,152</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	<u>137,435</u>
Net Income	<u>\$ 137,435</u>

Bankers Reserve Life Insurance Company of Wisconsin
Cash Flow
As of December 31, 2001

Net investment income	\$ 183,223	
Write-ins for miscellaneous income:		
Income from Separate Accounts	<u>61,558</u>	
Total		\$ <u>244,781</u>
General insurance expenses	56,184	
Insurance taxes, licenses and fees, excluding federal income taxes	<u>23,678</u>	
Subtotal	79,862	
Federal income taxes (excluding tax on capital gains)	<u>5,161</u>	
Total deductions		<u>85,023</u>
Net cash from operations		\$159,758
Proceeds from investments sold, matured, or repaid:		
Bonds	750,000	
Total investment proceeds	<u>750,000</u>	
Cost of investments acquired (long-term only):		
Bonds	782,969	
Total investments acquired	<u>782,969</u>	
Net cash from investments		(32,969)
Cash applied for financing and miscellaneous uses:		
Other applications	<u>136,742</u>	
Total		<u>136,742</u>
Net cash from financing and miscellaneous sources		<u>(136,742)</u>
Net change in cash and short-term investments		(9,953)
Reconciliation		
Cash and short-term investments, December 31, 2000		<u>482,757</u>
Cash and short-term investments, December 31, 2001		<u>\$472,804</u>

**Bankers Reserve Life Insurance Company of Wisconsin
Compulsory and Security Surplus Calculation
December 31, 2001**

Assets		\$8,877,436	
Less liabilities		<u>5,358,970</u>	
Adjusted surplus			\$3,518,466
Annual premium:			
Individual life and health	0		
Factor	<u>15%</u>		
Total		\$ 0	
Group life and health	0		
Factor	<u>10%</u>		
Total		\$ 0	
Greater of 7.5% of consideration or 2% of reserves for annuities and deposit administration funds		<u>0</u>	
Compulsory surplus (subject to a \$2,000,000 minimum)			<u>2,000,000</u>
Compulsory surplus excess or (deficit)			<u>\$1,518,466</u>
Adjusted surplus			\$ 3,518,466
Security surplus:			
(140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million with a minimum of 110%)			<u>2,800,000</u>
Security surplus excess or (deficit)			<u>\$ 718,466</u>

Bankers Reserve Life Insurance Company of Wisconsin
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2001

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	1997	1998	1999	2000	2001
Capital and surplus, beginning of year	\$4,648,907	\$4,849,260	\$3,007,436	\$3,208,521	\$3,383,221
Net income	81,535	(664,225)	(218,941)	174,473	137,435
Change in net unrealized capital gains or (losses)	136,196	(141,686)	240,266		
Change in non-admitted assets and related items	653	(222,140)	239,547		
Change in asset valuation reserve	(17,401)	22,040	(90)	57	45
Capital changes:					
Transferred from surplus					200,000
Surplus adjustments:					
Paid in		650,000			
Transferred to capital					(200,000)
Dividends to stockholders		(1,500,000)			
Write-ins for gains and (losses) in surplus:					
Change in Investment Reserve	(630)	3,682	(2,954)	170	(2,235)
Write Off Unreconcilable Suspense Balances		10,505			
Reversal of Prior Income Released to Surplus			(56,743)		
Capital and surplus, end of year	<u>\$4,849,260</u>	<u>\$3,007,436</u>	<u>\$3,208,521</u>	<u>\$3,383,221</u>	<u>\$3,518,466</u>

**Bankers Reserve Life Insurance Company of Wisconsin
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2001**

The following is a summary of NAIC Insurance Regulatory Information System (IRIS) results for the period under examination. Exceptional ratios are denoted with asterisks. A discussion of the exceptional ratios may be found after the IRIS ratios.

	Ratio	1997	1998	1999	2000	2001
#1	Net change in capital & surplus	4.0%	-51.0%*	7.0%	5.0%	4.0%
#2	Gross change capital & surplus	4.0	30.0*	7.0	5.0	4.0
#3	Net income to total income	0.0*	0.0*	-99.0*	98.0	80.0
#4	Comm and Exp to Prem and Deposits	Discontinued				
#5	Adequacy of investment income	242.0	81.0*	999.0*	NR	NR
#6	Non-admitted to admitted assets	0.0	2.0	0.0	0.0	0.0
#7	Total real estate & mortgage loans to cash & invested assets	0.0	0.0	0.0	0.0	0.0
#8	Total affl investments to capital & surplus	62.0	78.0	0.0	0.0	0.0
#9	Surplus relief	-32.0*	54.0*	5.0	0.0	0.0
#10	Change in premium	999.0*	-99.0*	0.0	0.0	0.0
#11	Change in product mix	NR	NR	NR	NR	NR
#12	Change in asset mix	9.9*	6.6*	6.4*	0.6	0.1
#13	Change in reserving ratio	-2.0*	0.0*	0.0	0.0	0.0

During the period under examination, the company reported sixteen IRIS ratios with unusual values and noted that two ratios were not calculated (indicated by a "NR"). Thirteen of the IRIS ratio exceptions occurred prior to Life and Health Insurance Company of America acquiring control of Bankers Reserve Life Insurance Company of Wisconsin on July 1, 1999 and there have been no exceptions the past two years.

Growth of Bankers Reserve Life Insurance Company of Wisconsin

Year	Admitted Assets	Liabilities	Surplus
1997	\$60,608,219	\$55,758,959	\$4,849,260
1998	14,734,169	11,726,733	3,007,436
1999	9,734,256	6,525,735	3,208,521
2000	9,484,085	6,100,864	3,383,221
2001	8,877,436	5,358,970	3,518,466

Life Insurance In Force (in thousands)

Year	Gross Direct And Assumed	Ceded	Net
1997	\$0	\$0	\$0
1998	0	0	0
1999	0	0	0
2000	0	0	0
2001	0	0	0

Accident and Health

Year	Net Premiums Earned	Net Losses Incurred	Commissions Incurred	Other Expenses Incurred	Combined Loss and Expense Ratio
1997	\$0	\$0	\$0	\$0	0.0%
1998	0	0	0	0	0
1999	0	0	0	0	0
2000	0	0	0	0	0
2001	0	0	0	0	0

Reconciliation of Surplus per Examination

The following schedule is a reconciliation of surplus between that reported by the company and as determined by this examination:

Surplus December 31, 2001, per annual statement			\$3,518,466
	Increase	Decrease	
	\$ 0	\$ 0	
	<hr/>	<hr/>	
Net increase or (decrease)	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Surplus December 31, 2001, per examination			<u>\$3,518,466</u>

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were seven specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Holding Company—It is recommended that the company properly include Atlantic Portfolio & Management in the 'Item 2. Organizational Chart' section on all future Form B-Insurance Holding Company Annual Registration Statement filings, pursuant to s. Ins 40.15, Wis. Adm. Code.

Action—No longer applies, BRLW was owned by LHA as of December 31, 2001.

2. Holding Company—It is recommended that the company properly report Atlantic Portfolio & Management in Schedule Y-Part 1-Organizational Chart in all future annual statements as required by the NAIC's Annual Statement Instructions - Life, Accident and Health.

Action—No longer applies, BRLW was owned by LHA as of December 31, 2001.

3. Holding Company—It is recommended that the company properly report its investment management agreement with Atlantic Portfolio & Management on all future Form B-Insurance Holding Company Annual Registration Statement and Form C-Summary of Registration Statement filings, pursuant to s. Ins 40.03 (3), Wis. Adm. Code.

Action—No longer applies, BRLW was owned by LHA as of December 31, 2001.

4. Holding Company—It is recommended that the company properly report all transactions with Atlantic Portfolio & Management on Schedule Y-Part 2-Summary of the Insurer's Transactions with Affiliates in all future annual statements, pursuant to the NAIC's Annual Statement Instructions - Life, Accident and Health.

Action—No longer applies, BRLW was owned by LHA as of December 31, 2001.

5. Actuarial Memorandum—It is recommended that the company prepare its actuarial memorandum regarding asset adequacy analysis in accordance with the standards of practice as promulgated by the actuarial standards board, pursuant to s. Ins 50.75 (4), Wis. Adm. Code, for all future years.

Action—Compliance

6. Actuarial Memorandum—It is recommended that the appointed actuary's reliance upon other individuals for the modeling of assets and asset assumptions be disclosed in the actuarial opinion, pursuant to the NAIC's Annual Statement Instructions - Life, Accident and Health.

Action—Compliance

7. Actuarial Memorandum—It is recommended that the company's appointed actuary obtain reliance statements, similar to that shown in s. Ins 50.77 (2) (j), Wis. Adm. Code, from individuals being relied upon for the modeling of assets and asset assumptions.

Action—Compliance

VIII. CONCLUSION

Originally, the LHA bought BRLW with the idea of giving its agents five additional states (where the parent company was not licensed) to write long term care business. In preparation for the sale of BRLW, all the business written in BRLW was reinsured 100% to Liberty Bankers Life Insurance Company, a sister company of BRLW. Due to the difficulty in raising capital to finance the expansion, LHA did not write any business through Bankers Reserve Life. As of December 31, 2001 the company was largely inactive, and did not write any direct premium during the year. Effective March 14, 2002, BRLW was sold to Centene Corporation.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

No comments and recommendations were made.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Mark Knieval	Financial Insurance Examiner

Respectfully submitted,

Rick Anderson
Examiner-in-Charge